

**STATE BOARD MEETING DATE**

December 8, 2008

**SUBJECT:** Consideration to Determine Non-Compliance with the USFR for Window Rock Unified School District No. 8.

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**SUBMITTED BY:** Chad Sampson

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**BACKGROUND INFORMATION:**

Under Arizona law, Window Rock Unified School District No. 8 (the “District”) must spend and account for public funds in accordance with the Uniform System of Financial Records (“USFR”). Jointly developed by the Arizona Department of Education and the Arizona Auditor General’s Office (“Auditor General”), the USFR incorporates finance-related laws and regulations as well as generally accepted accounting principals applicable to school districts. The Auditor General is responsible for assessing whether school districts are in compliance with the USFR, and notifying the Department of Education when they are not. A.R.S. §15-271. Based on the Auditor General’s reports, the State Board of Education may direct the Superintendent of Public Instruction to withhold any portion of state funds from school districts that are out of compliance with the USFR. A.R.S. §15-272. State funds will be withheld until the Auditor General reports that the district has come into compliance with the USFR. A.R.S. §15-272.

The Auditor General reports that the District is out of compliance with the USFR as of November 16, 2007 for the following reasons:

- The District needs to improve controls over maintaining its capital assets and stewardship items.
- The District failed to ensure the accuracy of its student attendance records.
- The District needs to strengthen controls over competitive purchasing and expenditures.
- The District needs to improve controls over student activities monies.
- The District failed to maintain a conflict of interest file.
- The District needs to improve controls over supplies inventory items.

**STATE BOARD ACTION REQUESTED: [ ] INFORMATION [ ] ACTION  
DESCRIBE BELOW:**

**The State Board has the following options:**

- 1. Move to determine that the District is out of compliance with the USFR based on the reports of the Auditor General and move to direct the**

**Superintendent of Public Instruction to withhold 10% of state funds from the district until the Auditor General reports that the District is in compliance with the USFR;**

- 2. Move to determine that the District is out of compliance with the USFR based on the report of the Auditor General and move to direct the Superintendent of Public Instruction to withhold some other portion of state funds from the District until the Auditor General reports that the District is in compliance with the USFR; or**
- 3. Decline to take action against the District at this time.**